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STREAMLINING OF BUILDING AND OCCUPANCY PERMITTING PROCESS – CAGAYAN DE ORO CITY & TAGBILARAN CITY

Strengthening Urban Resilience for Growth with
Equity (SURGE) Project

CONTRACT NO. AID-492-H-15-00001

DECEMBER 30, 2016

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Acronyms

BO	Building Official
BFP	Bureau of Fire Protection
CDO	Cagayan de Oro City
C/MFM	City/ Municipal Fire Marshall
CPDO	City Planning and Development Officer
DENR	Department of Environment and Natural Resources
DILG	Department of the Interior and Local Government
DOLE	Department of Labor and Employment
DTI	Department of Trade and Industry
eBPMS	e-Building Permit Management System
FALAR	Fire and Life Safety Assessment Report
FCP	Fire Code of the Philippines
FSEC	Fire Safety Evaluation Clearance
FSIC	Fire Safety Inspection Certificate
JPEG	Joint Photographic Experts Group
LGC	Local Government Code of the Philippines
MOU	Memorandum of Understanding
OBO	Office of the Building Official
OCT	Original Certificate of Title
OSS	One-Stop-Shop
PDF	Portable Document Format
RD	Register of Deeds
TCT	Transfer Certificate of Title
IRR	Implementing Rules and Regulations
NBCP	National Building Code of the Philippines
USTP	University of Science and Technology in the Philippines

SUMMARY

The construction permitting process in the Philippines is governed by the National Building Code of the Philippines (NBCP) and its revised Implementing Rules and Regulation (IRR). The process is further broken down into two sequentially inter-related processes namely: (1) building permit and (2) certificate of occupancy.

To further streamline business permitting and improve processes in securing construction-related and occupancy permits, an assessment was made in Cagayan de Oro and Tagbilaran City.

Cagayan de Oro City had already embarked on streamlining its building permitting process. Phase 1 has been implemented and the city is currently implementing Phase 2. With the streamlined process, the estimated processing time for building permits has gone down to between two to seven days. Full automation will commence by mid-2017. A key feature of the e-Building Management System (eBPMS) is the creation of an “electronic back office” that simplifies the process for clients. There are still no concrete plans on how the certificate of occupancy will be incorporated into the eBPMS.

The reverse is true for Tagbilaran City as the automation in the processing of permits is non-existent. Currently, it takes a minimum of 18 days for a building permit to be issued even as local citizens countered that it takes 90 days to complete the process. The study had several recommendations to improve the processing of business permits such as automation, reactivating the one-stop-shops (OSS), and defining the functionality and purpose of barangay clearances, among others.

I. Introduction

The Strengthening Urban Resilience for Growth with Equity (SURGE) Project of the USAID pursues to develop secondary cities that are more balanced and resilient with sustainable economic growth. One of the project's components seeks to promote low emission local economic development strategies thereby fostering efficient government service and improving the investment climate in the Philippines through direct technical assistance to six selected cities under the Cities Development Initiative (CDI) program.

The government, through the Department of the Interior and Local Government (DILG) and the Department of Trade and Industry (DTI), set standards in processing business permits, i.e. use of one form, limit to the steps, processing time, and signatories. USAID, through its Investment Enabling Environment Project, was able to encourage three CDI cities, Batangas, Iloilo and Cagayan de Oro, to go beyond these standards and pilot an online registration system in tandem with an online payment system in partnership with the Scaling Innovations in Mobile Money (SIMM), another USAID project. SURGE will work towards further streamlining business permitting, especially in Cagayan de Oro City and Tagbilaran City, and in improving processes in securing construction-related and occupancy permits.

This report addresses Task 2.2.2. Streamline business facility construction permitting process, Output 2.2.1.1.3 Workshop/Training/Study Tours on BPLS Streamlining and BPOS Automation.

II. Building Permitting Process in the Philippines

The construction permitting process in the Philippines is basically governed by one law, the Presidential Decree No.1096, Series of 1977, otherwise known as the National Building Code of the Philippines (NBCP) and its revised Implementing Rules and Regulations (IRR). The provisions enumerated in the NBCP and its IRR serve as a guide for local governments in devising their own specific process flow in the issuance of building permits to all construction of residential, industrial and commercial buildings in their areas of jurisdiction. The process is further broken down to two separate and distinct but sequentially inter-related processes namely: (1) building permit and (2) certificate of occupancy.

A. Building Permits and other Ancillary Reports

As provided by the NBCP and its IRR, documentary requirements when applying for a building permit, are as follows:

- Certified true copy of Original Certificate of Title (OCT)/Transfer of Certificate of Title (TCT), on file with the Registry of Deeds;
- Tax Declaration;
- Current Real Estate Tax Receipt;
- Locational Clearance from the City/Municipal Zoning Administrator;
- Clearances from various other authorities exercising and enforcing regulatory functions affecting buildings and structures;
- Five sets of survey plans, design plans, specifications and other documents prepared and sealed over the printed names of duly licensed and registered professionals;
- Architectural documents;
- Civil/structural documents;
- Electrical documents;
- Mechanical documents;
- Sanitary and plumbing documents;
- Electronic documents; and
- Geodetic documents.

Clearances and certificates from other government agencies may also be required, depending on the nature and type of construction to be undertaken. In such cases, the “applicant” shall directly secure such clearances from the government agencies. Although the IRR also states that “application for said clearances shall be requested by the owner/applicant and failure to receive reply within seven days from receipt of the application for building permit shall be sufficient (so as) not to further delay in processing the building permit.”

B. Certificate of Occupancy

The NBCP and its IRR provide the list of documentary requirements needed for the issuance of a Certificate of Occupancy:

- Application of Certificate of Occupancy;
- Duly notarized Certificate of Completion;
- Construction logbook;
- As-built plans and specifications;
- Building Inspection Sheet; and
- Fire Safety Inspection Certificate (FSIC) from the City/Municipal Fire Marshall (C/MFM) of the Bureau of Fire Protection (BFP).

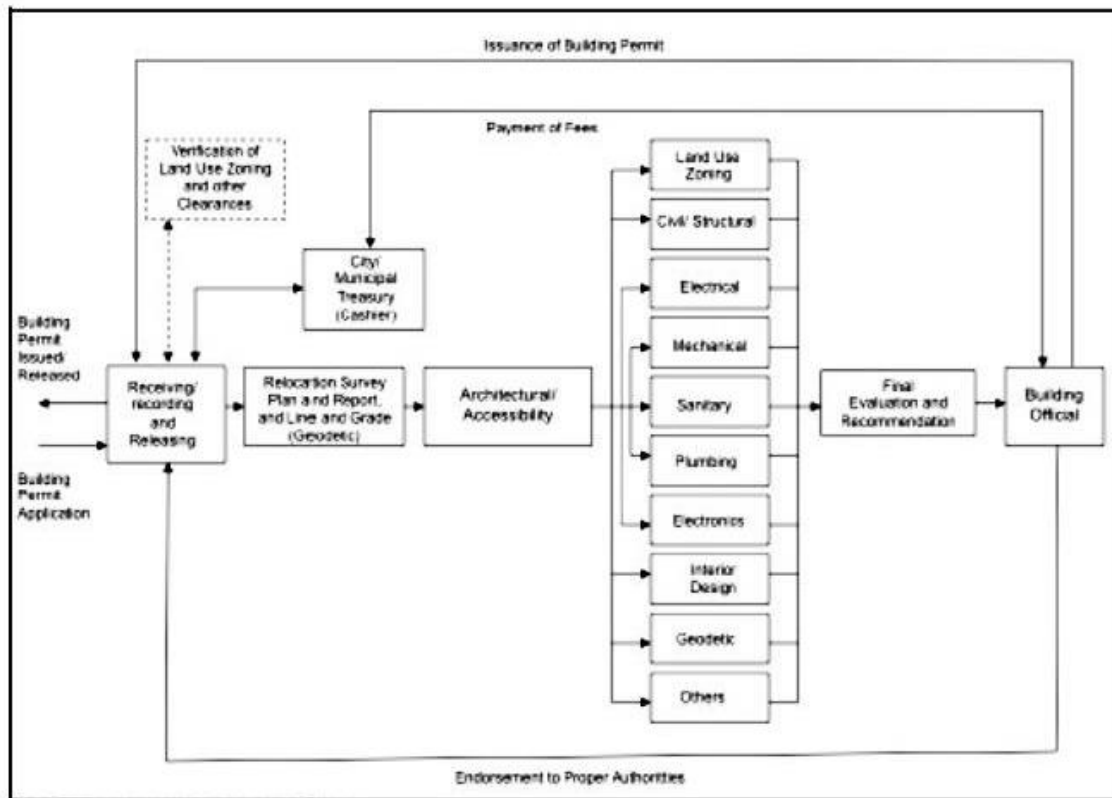
Rule 9, Division 4, Section 9.0.4.2 of the IRR of the Fire Code of the Philippines (FCP), also provides the requirements in securing FSIC for the issuance of a Certificate of Occupancy, as follows:

- Endorsement from the Building Official (BO);
- Photocopy of Building Permit and Assessment of Occupancy Permit fee;
- Copy of Fire Insurance Policy, if any;
- Copy of Latest Fire Safety Inspection Certificate immediately preceding this application, if any; and
- Three sets of Fire and Life Safety Assessment Report (FALAR) 2

C. The Barangay Clearance

Republic Act 7160, otherwise known as the Local Government Code of the Philippines (LGC), provides that “no city or municipality may issue any license or permit for any business or activity unless a clearance is first obtained from the barangay where such business or activity is located or conducted. For such clearance, the Sangguniang Barangay may impose a reasonable fee. The application for clearance shall be acted upon within seven working days from the date of filing. In the event that the clearance is not issued within the said period, the city or municipality may issue said license or permit”.

D. Process Flow Chart in the Issuance of Building Permit



Source: Figure III.3 of the NBCP

Figure 1. Process Flow Chart in Building Permit Issuance

Figure 1 shows the process flow chart in the issuance of a building permit. The building permit application is received and recorded together with all the documentary requirements previously mentioned. A relocation survey plan and report is prepared by the geodetic engineer. The application is then endorsed to the concerned department for evaluation. Upon final evaluation and recommendation, the application is turned over to the building official. The applicant is then asked to pay the fees to the city/ municipal treasurer after which the building permit is released to the client.

III. Assessment in Cagayan de Oro City

The Office of the Building Official (OBO) of Cagayan de Oro City itself had already embarked on software development for streamlining the building permitting process in the city. The OBO is actually coordinating with the University of Science and Technology in the Philippines (USTP). Phase 1 has been implemented and the city is in the process of implementing Phase 2. Full automation will commence by the middle of 2017.

A. Old Process

In the old permitting process, it takes an average of **60 days** in the processing of building permits from the time the application is received up to the time it is approved and released to the client. This is because the documents are literally moved from one office to the next.

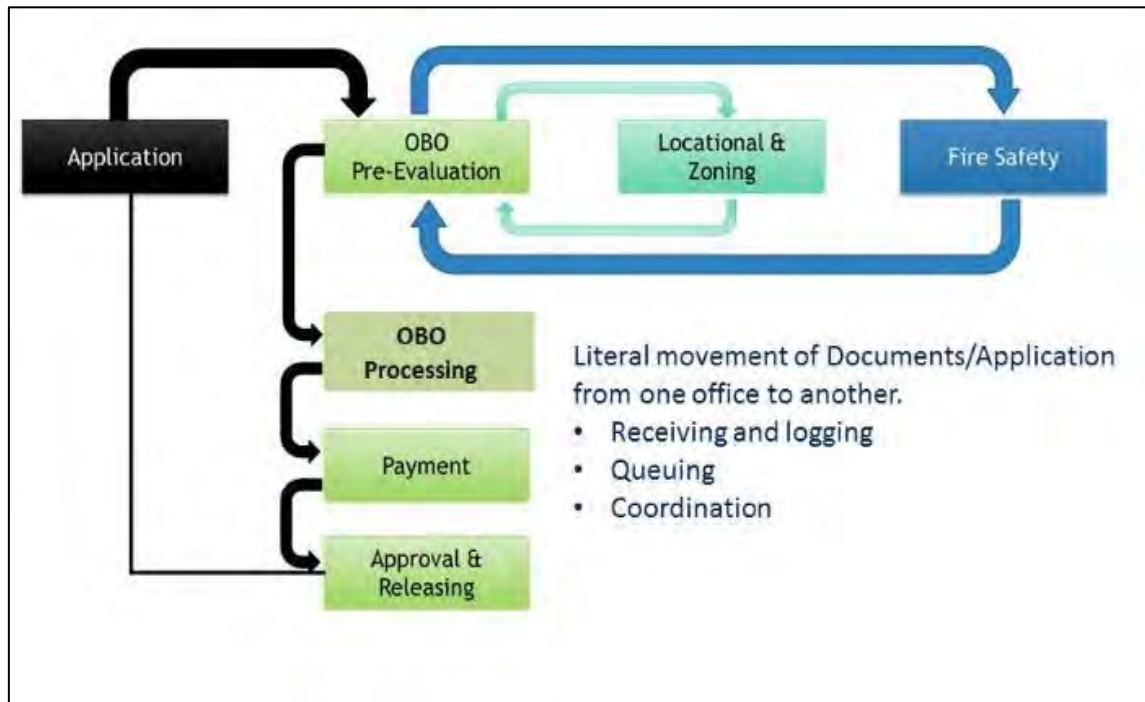


Figure 2. Old Permitting Process (CDO)

B. New Streamlined Process

With the new streamlined process (Figure 3), the estimated processing time for building permits has gone down to two to seven days. Full automation after Phase 2 will allow for the electronic submission of plans. This process improvement is deemed critical since it will allow for the simultaneous evaluation of the plans by the geodetic, architectural, structural, mechanical and plumbing engineers. The current practice of submitting hard copies of plans makes the review of plans sequential among the engineers and architects tasked to do the evaluation. Upon implementation, it will also allow the Bureau of Fire Protection (BFP) to simultaneously commence with their separate review of plans, in compliance with the requirement for FSEC.

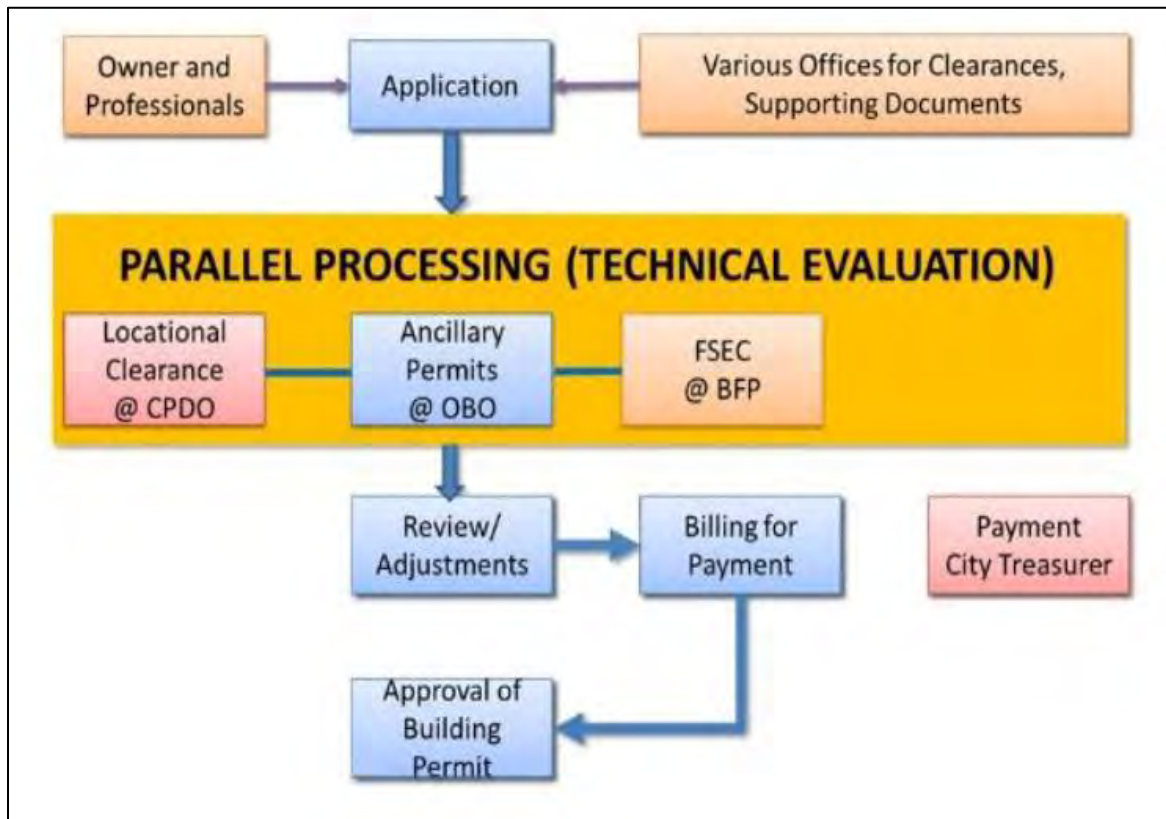


Figure 3. New Streamlined Process (CDO)

A key feature of the e-Building Permit Management System (eBPMS) is the creation of an “electronic back office”. The owner/ applicant will no longer need to secure zoning and land use clearance, and tax declaration and real property tax receipt from the assessor’s office and the FSEC from the BFP. These clearances and documents will be secured “internally” by the OBO through the eBPMS. All fees and charges related to these documents and clearances will just be added on to the final assessment charge for the building permit.

- The Barangay Clearance must still be secured separately by the owner/applicant until such time that an agreement is finalized within the City Council on how to regularize the clearance or how it can be incorporated into the “electronic back office”. A major problem for many barangays in Cagayan de Oro City is the lack of IT infrastructure in their respective locations.
- The OCT/TCT certification from the Register of Deeds will also need to be secured separately by the owner/applicant until such time that a Memorandum of Understanding (MOU) is signed with the national government agency, indicating that the City Register of Deeds may be included in the “electronic back office”.
- Another requirement that needs endorsement from a national government agency is the “Construction Safety Health Program”. Until such time that this issue of including it as a building permit requirement is resolved, the owner/applicant will need to secure approval from Department of Labor and Employment (DOLE) for their “Safety Program”.

C. Fire Safety Evaluation Clearance (FSEC)

While fire safety evaluation clearance (FSEC) is a mandated requirement, the Cagayan de Oro City Fire Marshall has agreed to the simpler process of reviewing the plans and documents and advising the owner/applicant of any violations or corrective actions required of the plans. As such, conditional FSEC is released and the building permit can be processed without further delay.

The Fire Marshall, however, will be inspecting the said project again in the issuance of FSIC since this is a requirement for the certificate of occupancy. Thus, compliance with the safety laws and regulations is still assured.

D. Application for Certificate of Occupancy

There are still no concrete plans on how the certificate of occupancy will be incorporated into the eBPMS.

There are only two major tasks prior to the release of the certificate of occupancy:

1. Inspection of the OBO and the Assessor’s Office

The former will verify that the work is completed and complies with the plans and specifications; the latter will double check measurements for tax purposes.

2. FSIC from the Fire Marshall’s office

Considering that the Bureau of Fire Protection (BFP) did not actually inspect the project prior to completion, and considering the comments generated from the table review of the plans and specifications in the FSEC, it may take longer for the BFP inspectors to conduct site verification and perform an appraisal of the building features on fire protection and safety. Thus, it is a possible source of delay in the release of the certificate of occupancy.

E. Issues that may Arise

1. The eBPMS will greatly increase the efficiency of the process of construction permitting in Cagayan de Oro. However, users must exercise caution in accepting electronically generated plans and drawings since PDF (portable document files) or jpeg (joint photographic experts group) files tend to be distorted and measurements become largely inaccurate. As numerical measurements are critical in any engineering endeavor, the acceptability of e-files may require further study.
2. Once automation is fully functional, the heads of various departments and agencies involved must also exercise diligence in monitoring their own staff's performance. A Service Standard Agreement among the different employees and officials of the city departments may be needed to monitor efficiency of the processes that do not require automation.

IV. Assessment in Tagbilaran City

A. Current Permitting Process

Presently, the Head of Office of the Building Official is currently the City Engineer of Tagbilaran City. Because of the workload of the City Engineer's Office, however, the function of the Building Official is delegated to the Assistant of the City Engineer who heads the team of evaluators and inspectors tasked with issuing building permits and certificates of occupancy.

During the previous administration, the Office of the Building Official (OBO) of Tagbilaran City had set up a One-Stop-Shop (OSS) for the application of both building permits and certificate of occupancy, co-locating representatives from the Zoning and Land Use Division and the Bureau of Fire Protection. For some reason, however, the OSS was discontinued.

Automation in the processing of permits is non-existent.

Figure 4 shows the steps involved in securing building permits. Overall, it takes a minimum of 18 days for a building permit to be issued. Local citizens, however, countered that it takes at least 90 days to complete the process.

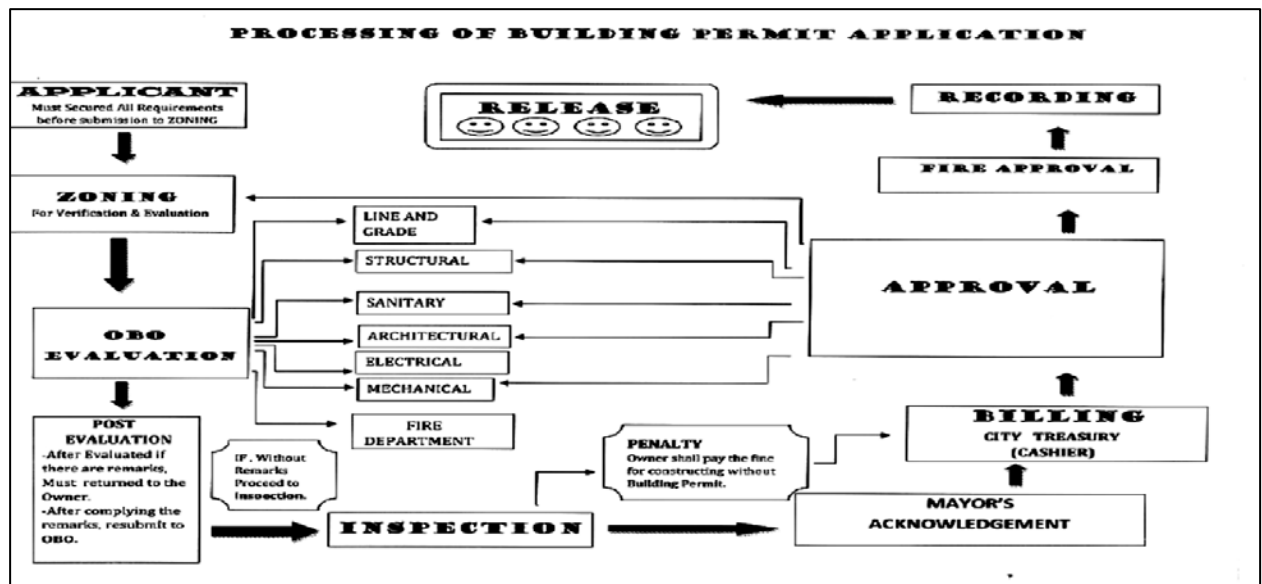


Figure 4. Current Permitting Process (Tagbilaran)

B. Recommendations

The following are the recommendations on improving the processing of building permits and certificate of occupancy for Tagbilaran City.

1. Need for Automation

A lot of waiting time will be reduced once the process is automated. Actual processing can be accomplished in three days, compared to the current practice of 18 days minimum.

2. Re-activate the One-Stop-Shop (OSS)

The One-Stop-Shop (“OSS”) has already been established during the previous administration. It will not be difficult to re-activate this OSS in the current process, even while automation is still being pursued.

A major issue, however, in establishing this OSS is the assignment of dedicated technical persons from each concerned office, in particular, the Fire Marshall’s Office, Assessor’s Office and the Zoning and Land Use Office. These offices have complained about their lack of manpower to realistically provide one dedicated staff to the OSS. The support of the Mayor’s Office to provide budget for a fully functioning OSS is therefore critical, especially if new personnel is needed for this purpose.

The OSS will greatly reduce the legwork of the applicant/client, going from one office to the next. Also, it will reduce face-to-face interaction with government employees and officials, reducing the opportunity for graft and corruption.

3. Define functionality and purpose of barangay clearance

As mentioned previously, the barangay clearance is not required by the Building Code law in securing building permits. However, it is required by City Ordinance and Resolution, consistent with the provision of the Local Government Code of the Philippines.

There seems to be a lack of understanding on the purpose and intent of the barangay clearance in the permitting process. One barangay in the city, for example, is practically evaluating the building plans similar to the functions of the Building Official. Others just verify the location and right of way provisions and still others just attest to the suitability of the project in their area. There has to be a clearer definition of the objective and function of the barangay clearance in the process. The phasing out of the barangay clearance may, in fact, be considered.

4.Reduce unnecessary and redundant steps, as well as signatories

The Mayor’s signature and approval prior to the release of the building permit is one step that may taken out of the process without violating any law or local ordinance. Timely updates and reports to the Mayor and the barangay captain may be necessary without having to involve them in issuing clearances and approving permits.

5. Increase manpower resource

A major issue for Tagbilaran City is the lack of employees to handle the increasing number of building permit and occupancy certificate applications. The salary scale in the province is unrealistically low which discourage qualified licensed engineers and architects from applying.

There are two teams that need to be established separately: the evaluation team and the inspection team. Currently, both the evaluation and inspection are being done by the same team. With the volume of permit applications, it is no longer feasible for one team to perform both functions. Each team now has to function separately.

Outsourcing these functions may be considered. Private technical groups can perform both functions in behalf of the city government. For purposes of check and balance and as an alternative, the outsourced group can perform the inspection while the evaluation may be done by bona fide employees of the City Building Official.

6. Office of Fire Marshall

The current process requires the Fire Marshall to issue the evaluation certificate after the building permit has been approved by both the OBO and the Mayor's Office. The Fire Marshall's office should be able to evaluate the building permit application at the same time as evaluation of the OBO, since their evaluation is specific to fire and safety provisions and generally independent of the OBO.

The recommendation is to adopt the system of review by Cagayan de Oro City's Fire Marshall's office. The Fire Marshall's approval of the building permit is waived but they will issue their report on the requirements and revisions that need to be done on the building plans. Upon completion of the building structure and upon application for the certificate of occupancy, the Fire Marshall shall inspect the building and focus on the list of revisions and requirements. The occupancy certificate, therefore, will not be issued should there be non-conformity to the provisions listed by the Fire Marshall's office. This recommended process will further reduce the processing time for building permits and provide focus on the requirements for the certificate of occupancy.

7. Automation of National Government Offices

The Department of the Environment and Natural Resources (DENR) and the Register of Deeds (RD) should pursue automation to facilitate the clearances required from their offices in relation to the building permit and occupancy certificate applications. Surely, clearances from national government agencies are an added burden to the applicants/clients pursuing construction in provincial cities. While there is no question on the rationale behind securing such clearances, there should be a way to facilitate these. Automation is the easiest and possibly the cheapest way to achieve this purpose.